

Message Text

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FM AMEMBASSY BONN

TO SECSTATE WASHDC 3973

INFO AMEMBASSY LISBON

AMEMBASSY LONDON

AMEMBASSY MADRID

AMEMBASSY PARIS

USMISSION EC BRUSSELS

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C O N F I D E N T I A L BONN 20736

EXDIS

E.O. 11652: GDS

TAGS: EAID, EINV, ENRG, PO, GW

SUBJ: FRG/PORTUGAL ECONOMIC RELATIONS

REF: (A) LISBON 8227 (EXDIS); (B) LISBON 8353;
(C) STATE 295240

1. BEGIN SUMMARY: WHILE PROTECTING CONFIDENTIALITY OF REPORT IN REF A RE FRG AID TO PORTUGAL, EMBOFF DISCUSSED RELATED SUBJECTS WITH COMPETENT FRG FONOFF OFFICIALS. LATTER CONFIRMED GOP INTEREST IN FIVE (NOT FOUR) NUCLEAR POWER PLANTS, BUT, LIKE EMBASSY LISBON, WERE SKEPTICAL RE REALISM OF PORTUGUESE HOPES. END SUMMARY.

2. ECONCOUNS TALKED WITH AMBASSADOR JAENICKE WHO RECENTLY HEADED FRG DELEGATION TO FRG/PORTUGAL JOINT COMMISSION MEETING IN LISBON. COMMISSION DISCUSSED SIX POINT PROGRAM OF ECONOMIC COOPERATION INCLUDING FRG TECHNICAL ASSISTANCE TO PORTUGAL IN SUCH SECTORS AS TOURISM, SHIPPING, IRRIGATION AND URBAN PLANNING. OVERALL PROGRAM IS PROCEEDING QUITE SLOWLY, MAINLY BECAUSE OF DOMESTIC PORTUGUESE BUREAUCRATIC DIFFICULTIES. ANOTHER OBSTACLE TO PROGRESS IS INTERNAL
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PORTUGUESE LEGAL AND CONSTITUTIONAL IMPEDIMENTS TO

IMPLEMENTATION OF INVESTMENT PROMOTION AGREEMENT
PROPOSED BY FRG (SEE REF B, PARA 12). AMBASSADOR
JAENICKE SAID MOST OPTIMISTIC PORTUGUESE ESTIMATE OF
TIMEFRAME FOR ACTION ON LATTER FRONT WAS LATE SPRING
1977.

3. WITHOUT DRAWING DIRECTLY ON REF A, EMBOFF ASKED
WHETHER GOP HAD EXPRESSED ANY INTEREST IN FRG ASSISTANCE
IN NUCLEAR POWER SECTOR. JAENICKE'S DEPUTY VON STEIN
REPLIED THAT GOP HAD BEEN ACTIVELY PEDDLING ITS OVER-
AMBITIOUS NUCLEAR POWER PLANS AMONG NUMEROUS COMMERCIAL
SUPPLIERS WORLDWIDE, INCLUDING KRAFTWERK UNION OF
GERMANY. THE LATTER HAD BEEN DISCUSSING WITH FRG
OFFICIALS THE POSSIBILITIES OF FRG GOVERNMENT FINANCING,
SINCE THE PORTUGUESE CANNOT POSSIBLY FINANCE EVEN
ONE OF THE FIVE NUCLEAR POWER PLANTS WHICH STEIN SAID
THEY WANT. VON STEIN SAID THE KWU PROPOSALS WERE
STILL UNDER CONSIDERATION, BUT HE WAS EXTREMELY
DOUBTFUL THAT ANYTHING WOULD COME OF THEM, SINCE THERE
WERE MANY OTHER PORTUGUESE SECTORS WITH HIGH PRIORITIES,
SUCH AS HOUSING OF 700,000 REFUGEES. VON STEIN POINTED
OUT THAT THE FINANCIAL RESOURCES REQUIRED FOR EVEN ONE
NUCLEAR POWER PLANT WOULD VASTLY EXCEED THE TOTAL
RESOURCES WHICH FRG COULD CONCEIVABLY MAKE AVAILABLE
TO PORTUGAL. HE MENTIONED THAT THE TOTAL FRG AID
PROGRAM TO PORTUGAL SO FAR WAS AIPROXIMATELY DM 17
MILLION (\$6. MILLION).

4. ARGUMENT THAT FRG MUST FIND OPPORTUNITIES ABROAD
TO INVEST ITS EXCESS FUNDS (REF A, PARA 1 D) HAS
ABSOLUTELY NO VALIDITY. ONE OF THE CHIEF CAUSES OF
THE PRESENT PAUSE IN THE UPSWING OF THE FRG ECONOMY
HAS BEEN WEAKNESS OF NEW INVESTMENT. THEREFORE, FRG
POLICY-MAKERS HAVE BEEN GRAPPLING WITH PROBLEM OF HOW
T SPUR DIRECT INVESTMENT AT HOME.

5. RE FRG MILITARY AID TO GOP, WE AGREE THAT ASSESSMENT
IN PARA 1 H OF REF A IS PROBABLY CORRECT.
STOESSEL

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NOTE BY OC/T:EXDIS CAPTION ADDED PER S/S-O,MR STEINER

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